Plantation

Inventory Rises Despite Higher Exports, Lower Output

MARKET WEIGHT
(Maintained)

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Highlights

- MPOB's data for Sep 25 showed a further rise in palm oil inventory levels to 2.36m tonnes – the highest seen since Nov 23 – despite a marginal decline in production.
- Maintain MARKET WEIGHT on the sector as CPO price upside from current levels is expected to be limited in the near term. Our 2025 CPO price assumption is unchanged, at RM4,200/tonne.
- Top pick: Hap Seng Plantations (BUY, Target: RM2.20) – still our sole BUY call for the sector.

Analysis

- **MPOB's Sep 25 data.** End-stocks increased 7.2% mom to 2.36m tonnes, which was above market expectations, driven by a lower-than-expected decline in production and softer domestic consumption.
  - Production came in at 1.84m tonnes (-0.7% mom), relatively in line with our monthly production survey but was higher than Bloomberg/Reuter surveys. Stronger output in East Malaysia (+6.0% mom), particularly from Sarawak, was able to partially offset the decrease in production in Peninsular Malaysia (-5.3% mom).
  - Exports in Sep 25 came in within market expectations, expanding 7.7% mom to 1.43m tonnes. According to Intertek cargo surveyors, the growth in exports was mainly driven by demand from India (+30% mom) despite a significant drop in exports to China (-58% mom).
  - End-stocks rose to 2.36m tonnes vs 2.20m tonnes in Aug 25, driven by softer domestic demand in addition to higher import levels (-33.2%) despite the marginal decline in production. This contributed to a continued build-up in inventories, exceeding market expectation.
- **Oct 25 outlook.** Production may have already peaked in the current cycle and may begin to taper off over the following months. For exports, while early surveys by cargo surveyors Intertek and AmSpec point towards a 10-19% mom rise in volume for 1-10 October, the full-month figures may see a mom increase in the single digits as festive demand from key buyers (India and China) falls off during the latter weeks of the month. Overall, we still expect inventory levels to continue rising mom, albeit potentially at a softer pace than in Sep 25 as production tapers off.

Segmental Rating

Segment	Rating
Malaysia	MARKET WEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	HAPL MK	BUY	2.12	2.20

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 10 Oct 25 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2024A (x)	PE 2025E (x)	PE 2026E (x)	Yield 2025E (%)	ROE 2025E (%)	Market Cap. (RMm)	Price/ NAV ps (x)
Hap Seng Plantations	HAPL MK	BUY	2.12	2.20	3.8	Dec-25	8.3	9.2	8.7	5.4	10.1	1679.3	0.8
SD Guthrie	SDG MK	HOLD	5.34	5.00	-6.4	Dec-25	23.7	20.3	23.2	2.9	10.6	36929.9	1.8
Genting Plantations	GENP MK	HOLD	4.92	4.63	-5.9	Dec-25	13.7	12.6	12.7	4.0	6.1	4414.0	0.9
IOI Corporation	IOI MK	HOLD	3.96	3.70	-6.6	Jun-26	18.9	18.3	17.1	2.7	12.7	24566.6	2.0
Kuala Lumpur Kepong	KLK MK	HOLD	20.46	20.50	0.2	Sep-25	24.6	18.3	16.9	2.6	4.2	22740.9	1.6
Kim Loong	KIML MK	HOLD	2.39	2.25	-5.9	Jan-26	14.4	14.3	14.7	6.8	18.5	2348.1	2.5
Sarawak Oil Palms	SOP MK	HOLD	3.40	3.15	-7.4	Dec-25	6.8	7.0	7.1	2.7	12.2	3044.1	0.8

Source: Bloomberg, UOB Kay Hian

MPOB'S Sep 25 Statistics

(m tonne)	Sep 24	Aug 25	Sep 25	mom % chg	yoy % chg	9M25	yoy % chg
CPO Production	1.82	1.85	1.84	(0.7)	1.1	14.47	0.3
Palm Oil Domestic Use	0.14	0.50	0.33	(33.2)	139.9	3.46	33.6
Palm Oil Exports	1.56	1.33	1.43	7.7	(8.5)	11.03	(10.3)
Oleochemical	0.26	0.23	0.23	1.7	(8.6)	2.01	(11.7)
Biodiesel	0.02	0.03	0.03	13.4	108.2	0.27	23.2
Palm Oil Imports	0.01	0.06	0.08	34.0	1330.4	0.67	279.6
Palm Oil Stocks	2.01	2.20	2.36	7.2	17.4	2.36	17.4
CPO Price (RM/tonne)	4,023.5	4329.0	4371.5	1.0	8.6	4350.4	8.7

Source: MPOB, UOB Kay Hian

Sep 25 CPO Production By Region And State

(m tonne)	Sep 24	Aug 25	Sep 25	mom % chg	yoy % chg	9M25	yoy % chg
Johor	0.30	0.30	0.29	(4.5)	(3.2)	2.27	(3.2)
Pahang	0.33	0.35	0.34	(4.1)	0.7	2.48	(1.2)
Perak	0.16	0.19	0.18	(8.4)	10.0	1.53	6.0
Negeri Sembilan	0.07	0.07	0.07	(5.7)	(1.5)	0.53	(3.2)
Selangor	0.05	0.05	0.05	(3.1)	4.1	0.43	6.4
Terengganu	0.05	0.05	0.05	(1.0)	4.6	0.33	(7.1)
Kelantan	0.03	0.04	0.04	(7.7)	19.1	0.29	7.9
Kedah	0.02	0.03	0.02	(9.4)	23.1	0.22	6.5
Other States	0.02	0.02	0.02	(11.2)	7.5	0.17	(1.7)
Pen Malaysia	1.02	1.11	1.05	(5.3)	2.4	8.26	(0.1)
Sabah	0.39	0.36	0.37	3.3	(5.4)	3.09	(0.1)
Sarawak	0.40	0.39	0.42	8.4	4.0	3.12	2.3
East Malaysia	0.80	0.75	0.79	6.0	(0.6)	6.21	1.0

Source: MPOB, UOB Kay Hian

Valuation/Recommendation

- **Maintain MARKET WEIGHT.** We keep our neutral stance on the sector due to a lack of near-term catalysts. At current levels, we continue to see limited upside to CPO prices, pressured by loosening supply-demand balances. Our 2025 CPO price assumption of RM4,200/tonne remains unchanged. Hap Seng Plantations (HAPL) remains our sole sector BUY call, as we remain positive on the company given its inexpensive valuations with a high net-cash position alongside attractive dividend yields.

Sector Catalyst/Risk

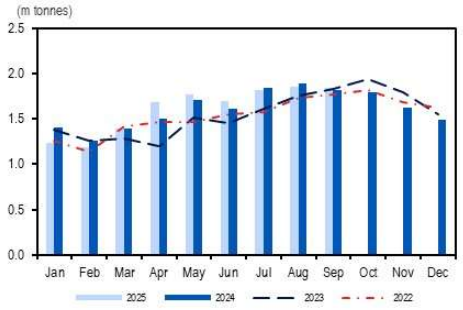
- Weaker-than-expected industry output driving tighter inventories and higher CPO prices.
- Incremental demand from regional biofuel policy expansions.
- Improved downstream business outlook for vertically-integrated planters.

CPO Price Assumptions (RM/Tonne)

	CPO Price (RM/tonne)
2020	2,686
2021	4,408
2022	5,088
2023	3,810
2024	4,180
Our forecast:	
2025F	4,200
CPO Price:	
MPOB @ 9 OCT 25	4,485
BMD 3rd Month Contract	4,479

Source: UOB Kay Hian

Malaysia Palm Oil Production



Source: MPOB, UOB Kay Hian

Malaysia Palm Oil Stocks

Source: MPOB, UOB Kay Hian

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